

P-407/CP-90-1078; P-407/CP-91-373 ORDER DENYING PETITION FROM
HALLOCK SUBSCRIBERS AND REQUIRING COST STUDIES AND PROPOSED RATES

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm
Cynthia A. Kitlinski
Dee Knaak
Norma McKanna

Chair
Commissioner
Commissioner
Commissioner

In the Matter of a Petition for
Extended Area Service Between
the Hallock and Kennedy
Exchanges

ISSUE DATE: January 30, 1992

DOCKET NO. P-407/CP-90-1078

In the Matter of a Petition for
Extended Area Service Between
the Kennedy and Hallock
Exchanges

DOCKET NO. P-407/CP-91-373

ORDER DENYING PETITION FROM
HALLOCK SUBSCRIBERS AND
REQUIRING COST STUDIES AND
PROPOSED RATES

PROCEDURAL HISTORY

I. Proceedings to Date

On December 10, 1990 subscribers in the Hallock and Kennedy telephone exchanges filed separate petitions for Extended Area Service between the two exchanges.

On July 3, 1991 GTE Minnesota, the local exchange carrier for both exchanges, filed traffic studies on calls between the two exchanges. On July 16, 1991 the Department of Public Service (the Department) filed comments on both petitions. The Department recommended that the Commission deny the Hallock petition for failure to meet statutory traffic requirements and require further filings in the Kennedy petition.

On January 14, 1992 the petitions came before the Commission.

FINDINGS AND CONCLUSIONS

II. Findings on Petitions

Minn. Stat. § 237.161 (1990) establishes the following conditions for installing Extended Area Service (EAS):

1. the petitioning exchange must be contiguous to the exchange or local calling area to which Extended Area Service is sought;
2. at least 50% of the subscribers in the petitioning exchange must make at least one call per month to the exchange or local calling area to which Extended Area Service is sought;
3. at least 50% of those responding to a Commission poll of all subscribers in the petitioning exchange must vote in favor of Extended Area Service, unless the Commission and all parties agree that polling is unnecessary.

The Kennedy and Hallock exchanges are adjacent, so both petitions meet the first statutory requirement. GTE Minnesota's traffic studies show that the Kennedy exchange meets the traffic requirement, while the Hallock exchange does not. The Commission agrees with the Department that the Hallock petition must therefore be denied, while the Kennedy petition progresses to polling.

The statute requires that rates for the proposed EAS route be available to subscribers when they are polled. The Commission will therefore require GTE Minnesota to file proposed rates and supporting cost studies. Those rates and cost studies should be developed as set forth below.

III. Requirements for Proposed Rates and Supporting Cost Studies

The costs of installing and providing EAS between specific exchanges can only be estimated in advance and depend on many factors. Projected traffic after EAS is in place is a critical factor and is often one of the most controversial. To avoid time-consuming disputes later, and to make sure that GTE Minnesota does not have to conduct traffic studies twice, the Commission will require the Company and the Department to meet and attempt to agree on how traffic studies should be done. If they are unable to agree, the Commission will resolve any disputes before traffic studies are done.

The EAS statute requires that 50% to 75% of EAS costs be allocated to the petitioning exchange. The Commission will require the Company to file two sets of proposed rates, one allocating 50% of EAS costs to the Kennedy exchange and the other allocating 75% to that exchange. The Commission will determine the appropriate allocation when setting rates for polling purposes.

In developing proposed rates, the Company should use a stimulation factor of 400% and a gross receipts tax factor of 0%. The Company should include in rates its own lost toll contribution and exclude lost toll revenues for both itself and

interexchange carriers. When it files proposed rates, the Company should also file an estimate of its costs in connection with polling subscribers in the Kennedy exchange. Finally, the Company should file an explanation of the its traffic study methodology and how that methodology was developed.

Within 45 days of the Company's filing, the Department will file and serve its report and recommendation, including its recommendation on what rates should appear on the EAS ballot. There will be a 20-day comment period on the Department's report. The Commission will then poll Kennedy subscribers on whether they want Extended Area Service at the proposed rates.

ORDER

1. The petition for Extended Area Service filed by subscribers in the Hallock exchange is denied for failure to meet the traffic requirements of Minn. Stat. § 237.161 (1990).
2. The petition for Extended Area Service filed by subscribers in the Kennedy exchange is found to meet the adjacency and traffic requirements of Minn. Stat. § 237.161 (1990).
3. Within 10 days of the date of this Order, representatives of GTE Minnesota and the Department of Public Service shall meet and attempt to reach agreement on how the traffic studies used to develop rates in this case should be conducted.
4. If the Company and the Department are unable to agree on a traffic study methodology, they shall so inform the Commission within 25 days of the date of this Order. At the same time, they shall file explanations of their positions and areas of disagreement.
5. If the Company and the Department agree on a traffic study methodology, further filings shall be made as follows:
 - a. Within 30 days of the date of its agreement with the Department, GTE Minnesota shall file proposed rates for the Kennedy-Hallock EAS route, an explanation of its traffic study methodology and how it was developed, and an estimate of the costs it expects to incur in connection with polling subscribers in the Kennedy exchange;
 - b. Within 45 days of the Company's filing, the Department shall file its report and recommendation, including its recommendation on what rates should appear on the ballot used to poll Kennedy subscribers.

- c. Within 20 days of the filing of the Department's report, any party wishing to file comments shall do so.
- 6. The Company shall file two sets of proposed rates, one allocating 50% of EAS costs to the Kennedy exchange and the other allocating 75% to the Kennedy exchange.
- 7. In calculating proposed rates, the Company shall use a stimulation factor of 400% and a gross receipts tax factor of 0%.
- 8. In calculating proposed rates, the Company shall include its own lost toll contribution and exclude lost toll revenues for both itself and interexchange carriers.
- 9. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster
Executive Secretary

(S E A L)